



Public Utilities Commission

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Commissioners

Lawrence K. Friedeman
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Daniel R. Conway

January 26, 2021

Docketing Division
Public Utilities Commission of Ohio
180 East Broad Street
Columbus, OH 43215

RE: *In the matter of the Application of Columbia Gas of Ohio, Inc. for Approval of a General Exemption of Certain Natural Gas Commodity Sales Services or Ancillary Services, Case No. 21-121-GA-UNC.*

Dear Docketing:

Enclosed please find Staff's Report regarding Columbia's Standard Choice Offer auction conducted on January 26, 2021.

A handwritten signature in black ink, appearing to read "DL", with a horizontal line underneath.

David Lipthrott
Chief, Accounting and Finance
Public Utilities Commission of Ohio

Enclosure
Cc: Parties of Record

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**A report by the Staff of the
Public Utilities Commission of Ohio**

**Columbia Gas of Ohio, Inc.
Post Auction Report
Case Number 21-121-GA-UNC**

Background

On December 2, 2009, in Case No. 08-1344-GA-EXM, the Commission approved a joint stipulation, which authorized Columbia Gas of Ohio, Inc. (Columbia) to conduct an auction for pricing of its wholesale natural gas supply, for its percentage of income payment plan (PIPP) and Standard Service Offer (SSO) customers, for two consecutive one-year long SSO periods. The SSO, is a regulated sales service that replaced Columbia's previous gas cost recovery (GCR) service.

The Commission also authorized Columbia to move to a Standard Choice Offer (SCO) and Default Sales Service (DSS) beginning April 1, 2012. Under the SCO mechanism, auction participants bid on the right to serve specific end-use customers rather than provide natural gas on a wholesale basis to Columbia for resale to end-use customers whereas the DSS is a regulated sales service provided by Columbia to percentage of income payment plan (PIPP) customers and customers not eligible to participate in the Choice or Governmental Aggregation Programs. Unlike SSO auction suppliers, winning SCO auction bidders would have a direct retail relationship with their customers.

On February 23, 2010, Columbia conducted an auction to determine the SSO price for the period of April 1, 2010, through March 31, 2011 (the first SSO term). On February 24, 2010, the Commission approved an initial retail price adjustment (RPA)¹ of \$1.93. The SSO price for those sales customers not participating in Columbia's choice program or any other transportation service program is the sum of the monthly NYMEX settlement price and the RPA.

On February 8, 2011, Columbia conducted its second SSO auction to determine the RPA for the period April 1, 2011, through March 31, 2012. That auction resulted in an RPA of \$1.88 per Mcf.

On September 7, 2011, the Commission issued a Second Opinion and Order which reaffirmed its December 2, 2009, authorization to proceed with its transition from the SSO to an SCO auction.

On February 14, 2012, Columbia conducted its first SCO auction to determine the RPA² for the period April 1, 2012, through March 31, 2013. The auction resulted in an RPA price of \$1.53 per Mcf.

On January 9, 2013, the Commission's Opinion and Order in Case No. 12-2637-GA-EXM required the balancing fee³ be reduced from \$.32 to \$.27 per Mcf and that the fee be charged directly to customers instead of suppliers. Comparatively, the April 1, 2012, through March 31,

¹ The auction participants bid a "Retail Price Adjustment" (RPA) in the form of an adder to the monthly New York Mercantile Exchange (NYMEX) settlement price for natural gas futures.

² The RPA is a fixed dollar amount over the term of the SCO phase and reflects the bidders' estimate of their incremental cost to deliver the required amount of gas from the point of purchase to Columbia's city gate.

³ The balancing fee is charged by Columbia in order to recover costs associated with insuring that customers' demands for natural gas are met by suppliers' deliveries.

2013, RPA \$1.53 per Mcf would have been \$1.21 if the balancing fee had been billed directly to customers.

The following is a historical summary of Columbia's RPA prices:

- April 1, 2013 through March 31, 2014 \$1.29 per Mcf
- April 1, 2014 through March 31, 2015 \$1.40 per Mcf
- April 1, 2015 through March 31, 2016 \$1.29 per Mcf
- April 1, 2016 through March 31, 2017 \$1.43 per Mcf
- April 1, 2017 through March 31, 2018 \$1.45 per Mcf
- April 1, 2018 through March 31, 2019 \$1.23 per Mcf
- April 1, 2019 through March 31, 2020 \$1.18 per Mcf
- April 1, 2020 through March 31, 2021 \$1.07 per Mcf

TC Energy FERC Rate Case Impact on the SCO Auction

On July 31, 2020, TC Energy Corporation (TC Energy) filed a Rate Case at FERC. In its filing TC Energy proposed an overall increase of approximately ninety-seven percent for the transmission and storage assets feeding Columbia's system. The rate proposed by TC Energy will go into effect on February 1, 2021, with a FERC decision expected sometime in early 2022. It is anticipated that the increase in demand charges could impact the RPA for the Columbia 2021 auction which was held on January 26, 2021. The above chart lists the historical RPA's since 2013. Below are the results of this year's auction.

2021 Auction Process

The auction was conducted virtually, by Enel X, who has offices located in Dublin, Ohio, with bidders participating over the internet. For purposes of the auction, Columbia's aggregate load was separated into 16 equal tranches that were designed to be of approximately equal size and composition. The tranches consist of SCO customers (i.e. Choice eligible customers) and DSS (i.e., ineligible and transition customers). The SCO component of the tranches consists of actual residential and non-residential customers while the DSS component consists of natural gas volumes only and not specific customers. Winning bidders will directly serve the SCO customers on a retail basis and will also provide an additional amount of gas (to serve its share of the ineligible and transition pool) directly to Columbia for resale to DSS customers.

Nine bidders were certified to participate in the auction with each participant bidding on a maximum of four tranches. The auction was conducted as a descending clock auction in which the participants bid on the number of tranches they are willing to supply at an announced price (the RPA). If there are more tranches bid than are available, a new round is conducted at a lower announced price. The auction continues until exactly 16 tranches are bid and the announced price at that round becomes the RPA for both the SCO and DSS customers.

The initial bid price was set by Columbia, in consultation with Staff. The round-by-round decrement to the initial price was determined in advance. Columbia reserved the right to adjust

the decrements if circumstances dictated it and after consultation with Staff. If there are fewer than 16 tranches bid in any round, the auction reverts to the previous round of bids in which there was an over-supply of tranches bid, and the auction will continue in decrements of \$0.01. If fewer than 16 tranches are bid once again, the undersupplied tranches will be awarded proportionally to the remaining bidders from the prior round based on their bids in that round. All tranches would be priced at the RPA applicable to that prior over-subscribed round.

2021 Auction Results

The auction began with an initial RPA of \$1.80 with rounds subsequently proceeding in decrements of \$0.10. The auction concluded after the second round with a final RPA of \$1.70. Five bidders were awarded tranches. A round-by-round bidding summary is attached to this report with the bidders remaining unidentified.

Recommendations

Based on Staff's observations, the auction was fair and devoid of any indications of collusion or other anomalies. Staff believes that since nine suppliers participated in the auction, the resulting price is an accurate reflection of the natural gas market at the time of the auction. Staff also finds that the \$1.70 RPA will result in a reasonable commodity price to customers relative to other practical pricing alternatives and historical experience. Staff recommends the Commission approve the \$1.70 RPA as the RPA for both SCO and DSS customers for the period April 1, 2021, through March 31, 2022. Although Staff is recommending approval for this 12-month period, it recognizes the Commission retains the authority to terminate the SCO and direct Columbia to return to a SSO or other commodity supply service at any time should circumstances warrant.

Confidentiality

If the auction results are approved by the Commission, the winning bidders wish to remain anonymous due to their pending negotiations in securing capacity from the interstate pipeline. If their identities are revealed, this may have a negative impact on their negotiating position with the pipelines. Staff recommends the Commission grant confidentiality of the bidder's identities for a period of 15 days after Commission approval of the auction.

Appendix A

Columbia Gas of Ohio, Inc.		
1/26/2021		
	ROUND 1	ROUND 2
PRICE	\$1.80	\$1.70
A	0	0
B	2	2
C	4	4
D	1	0
E	4	4
F	4	0
G	4	2
H	0	0
I	4	4
Total Tranches Bid	23	16

Winning Bidders

Company	B	2 Tranches
Company	C	4 Tranches
Company	E	4 Tranches
Company	G	2 Tranches
Company	I	4 Tranches

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Case No(s). 21-0121-GA-UNC

Summary: Staff Report of Investigation electronically filed by Zee Molter on behalf of PUCO
Staff